MEMORANDUM FOR SECRETARIES OF THE MILITARY DEPARTMENTS
CHAIRMAN OF THE JOINT CHIEFS OF STAFF
UNDER SECRETARIES OF DEFENSE
DIRECTOR, DEFENSE RESEARCH AND ENGINEERING
ASSISTANT SECRETARIES OF DEFENSE
GENERAL COUNSEL OF THE DEPARTMENT OF DEFENSE
INSPECTOR GENERAL OF THE DEPARTMENT OF DEFENSE
DIRECTOR, OPERATIONAL TEST AND EVALUATION
COMMANDERS OF THE COMBATANT COMMANDS
DIRECTOR, PROGRAM ANALYSIS AND EVALUATION
DIRECTOR, ADMINISTRATION AND MANAGEMENT
DIRECTORS OF DEFENSE AGENCIES

SUBJECT: Procedures and Schedule for Fiscal Year (FY) 2005-2009 Program, Budget, and Execution Review

The FY 2004 President's Budget Submission establishes priorities consistent with the Secretary's goals for the Department through the Future-Years Defense Program (FYDP). As such, the FY 2004 President's Budget Submission FYDP is the baseline for the FY 2005-2009 Program, Budget, and Execution Review and for the FY 2005 President's Budget.

Planning, programming, and budgeting procedures not addressed in this memorandum will continue to operate as in years past. You are to prepare the FY 2005 President's Budget as described below:

- The Services and Agencies will not forward Program Objective Memoranda (POMs) or Budget Estimate Submissions (BESs).

- Under Secretaries of Defense, the Assistant Secretary of Defense (Command, Control, Communications, and Intelligence), the Director of Operational Test and Evaluation, the Chairman of the Joint Chiefs of Staff, Secretaries of the Military Departments, and Combatant Commanders may submit prioritized Program Change Proposals (PCPs). Combatant Commanders should follow up their integrated priority list inputs by submitting PCPs or Budget Change Proposals (BCPs), as described below, for those items that urgently require action during FY 2005-2009, and should defer other items for consideration during the preparation of the FY 2006-2011 Program, Budget, and Execution Review.
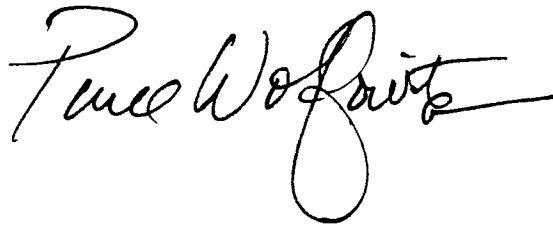
Components are not required to submit documentation on IPL compliance for FY 2005-2009 since all changes to the FY 2004-2009 baseline will be accomplished via PCP or BCP.

- Each Component may submit a single package comprising all its nominated PCPs in accordance with the attached schedule. Defense Agencies should submit PCPs through their cognizant Principal Staff Assistants.

- We will develop accepted PCPs as issues for the Secretary's consideration and resolution through a Program Decision Memorandum (PDM). Each package will identify areas in which to consider taking additional risk and must identify offsets, consistent with the Secretary's planning guidance and FY 2004-2009 decisions, which are at least equal to the program enhancements it proposes.

- Clearly identify proposed offsets or enhancements in the Tactical Intelligence and Reconnaissance Activities, National Foreign Intelligence Program, or Joint Military Intelligence Program. The Director of Central Intelligence will coordinate on all offsets proposed in the National Foreign Intelligence Program.

- Reductions proposed in a PCP may be applied to the enhancements proposed in the PCP or may be used to fund other initiatives. PCPs should affect the Future Years Defense Program (FYDP) (i.e., not be limited to the budget year) and will be limited to items that exceed $250 million across the FYDP or have serious policy or programmatic implications. The established threshold is for individual programmatic issues. Do not "roll up" disparate issues simply to achieve the $250 million threshold. The Budget Review will accommodate the smaller issues that affect only the budget year.

- Submit PCPs to incorporate results of remaining studies directed in the FY 2004-2009 DPG and in the FY 2004-2009 PDMs. Combatant Commanders may submit up to six PCPs to the Joint Staff (J8) regardless of monetary threshold. A sample PCP format is at Attachment A.

- Submit full budgetary data for accepted PCPs to the Director, PA&E, by September 1, 2003.

- Under Secretaries of Defense, the Assistant Secretary of Defense (Command, Control, Communications, and Intelligence), the Director of Operational Test and Evaluation, the Chairman of the Joint Chiefs of Staff, Secretaries of the Military Departments, Combatant Commanders, and Directors of Defense Agencies may submit Budget Change Proposals (BCPs). Combatant Commanders will submit BCPs through their Service Executive Agents. The Comptroller will review BCPs

and resolve issues via Program Budget Decisions (PBDs). A sample BCP format is at Attachment B.

- Submit BCPs to cover fact-of-life changes (i.e., cost increases, schedule delays, management reform savings, workload changes, FY 2003 execution experience, etc.) and changes resulting from congressional action. As with PCPs, accompany projected budget increases with specific budget decrease proposals that equal the increases.

- We will use the FY 2004 President's Budget as a baseline to conduct a thorough analysis of change packages. You must update the FY 2004 budget line to reflect congressional action. Additionally, you must also update the remaining information sets normally requested in the Programming Data Requirement (PDR) that were not completed as part of the FY 2004 President's Budget update. A list of these data requirements is at Attachment C. The data collection system, Select and Native Programming Data Input System, opened on March 1, 2003, to accommodate PDR changes. We will make separate arrangements to update any other data sources necessary to thoroughly reflect congressional action. We will not update this information again until the FY 2005 President's Budget, which will reflect decisions made during the review process.

- In addition to addressing the BCPs submitted by the Services and Agencies, the Comptroller may propose adjustments based on FY 2003 execution performance and other fact-of-life changes.

- The Office of Management and Budget will participate in the FY 2005-2009 Program and Budget Review and may recommend additional funding adjustments.

The tentative schedule at Attachment D specifies the critical dates in the process. We will provide further detailed instructions regarding the procedures and schedule separately.

Tina W. Jonas

Attachments:
As stated

Format for Program Change Proposals

C L A S S I F I C A T I O N[1]

Program Change Proposal Title (U)
(Identify the program/issue that needs to be solved)

Priority: Proposal [#] of [#][2]

(U)   **Proposed Increases in Risk.** Identify the risks (operational, future, institutional, or force management) that would be increased in order to free resources for the proposed program change. Specify the specific programs in which offsets will be taken.

(U)   **Proposed Risk Summary**[3]
CLASSIFICATION

| | TOA (Current $M) | | | | | | |
	FY04	FY05	FY06	FY07	FY08	FY09	FY05-09
Program 1 FYDP Funding	472	560	652	748	650	100	2,710
Program 2 FYDP Funding	100	100	100	100	100	100	500
Program 1 Proposed Offset	--	-100	-100	-100	-100	-100	-500
Program 2 Proposed Offset	--	-50	-50	-50	-50	-50	-250

(U)   **Effect of Proposal**

(U)   Provide a short description of the programmatic effect of each proposed reduction, in sufficient detail to define its effects clearly.

(U)   **Program 1.** [Name of Service or Agency]. Describe quantitatively the effects of the proposed reduction relative to the FYDP program. Include procurement quantities, costs, numbers of personnel, or other meaningful and measurable characteristics affected. Start each sentence with an action verb. ("Slips the start of System X procurement from FY05 to FY07. Procures 10 systems in FY07, toward a total of 40 by FY09 . . . ")

(U)   **Program 2-N.** Describe other proposed offsets in the same programmatic detail as the first.

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[1] All documents and electronic media must be marked and handled in accordance with DoDD 5200.1R, "Information Security Program Regulation." Diskettes must be marked to show the highest level of classified information they contain. In addition, top and bottom page-classification markings and paragraph and table markings must be included in all documents. The classification authority and declassification instructions must appear on the first page of each document.
[2] Each component must rank its PCPs from highest to lowest priority.
[3] The offset totals must equal or exceed the total increases recommended in the PCP. If they do not, the PCP will be rejected.

(U)   **Proposed Program Enhancements.** Identify the enhancements that would be afforded with the offsets identified above. Specify the risk category of each.

(U)   **Enhancement Summary**
CLASSIFICATION

	FY04	FY05	FY06	FY07	FY08	FY09	FY05-09
				TOA (Current $M)			
Program 1 FYDP Funding	200	250	250	250	250	250	1,250
Program 2 FYDP Funding	75	75	75	75	75	75	300
Program 1 Proposed Enhancement	--	50	100	150	150	150	600
Program 2 Proposed Enhancement	--	30	30	30	30	30	150

(U)   **Effect of Enhancements.** Provide a short description of the effect of each proposed enhancement in sufficient detail to define its effects clearly.

(U)   **Enhancement 1.** [Name of Service or Agency]. Describe quantitatively the effects of the proposed increase relative to the FYDP program. Include procurement quantities, costs, numbers of personnel, or other meaningful and measurable characteristics affected. Start each sentence with an action verb. ("Accelerates the start of System X procurement from FY07 to FY05. Procures 10 systems in FY07, toward a total of 40 by FY09 . . . ")

(U)   **Enhancements 2-N.** Describe other proposed enhancements in the same programmatic detail as the first.

Format for Budget Change Proposals

CLASSIFICATION

Budget Change Proposal Title (U)
(Identify the program/issue that needs to be solved)

(U) **Short Description of Proposal.** Briefly summarize the proposal.

(U) **Funding Summary**

	TOA (Current $M)						
	FY 03	FY04	FY05	FY06	FY07	FY08	FY09
Appn/Budget Activity/Line Item							
FY 2004 President's Budget	300	300	300	300	300	300	300
Proposed Change	--	--	+50	+50	+50	+50	+50
Appn/Budget Activity/Line Item							
FY 2004 President's Budget	200	200	200	200	200	200	200
Proposed Change	--	--	+50	+50	+50	+50	+50
Appn/Budget Activity/Line Item							
FY 2004 President's Budget	400	400	400	400	400	400	400
Proposed Change	--	--	-100	-100	-100	-100	-100
Net Change	--	--	--	--	--	--	--

(U) **Manpower Summary**

	Military or Civilian Manyears						
	FY 03	FY04	FY05	FY06	FY07	FY08	FY09
Appn/Manpower Type/Special Program							
FY 2004 President's Budget	300	300	300	300	300	300	300
Proposed Change	--	--	+50	+50	+50	+50	+50
Appn/Manpower Type/Special Program							
FY 2004 President's Budget	200	200	200	200	200	200	200
Proposed Change	--	--	+50	+50	+50	+50	+50
Appn/Manpower Type/Special Program							
FY 2004 President's Budget	400	400	400	400	400	400	400
Proposed Change	--	--	-100	-100	-100	-100	-100
Net Change	--	--	--	--	--	--	--

Attachment B

(U)   **Detailed Justification**

(U)   Provide a more detailed justification for the proposed budgetary change. Address the overall rationale for the change and the detailed impact of the change upon each of the affected programs. Address performance and execution metrics consistent with MID 910. As metrics evolve, we will provide further instructions.

(U)   Although each individual proposal need not net to zero, each organization's BCPs must net to zero in the aggregate.

(U)   Identify the funding and manpower changes in budget quality detail (i.e., by appropriation, by budget activity, and by program element, budget line item, or major activity).

(U)   Provide appropriate budget exhibits that identify the impact of the proposed changes in enough detail to make an analytical judgment for each of the affected programs or major activities. In the case of across the board adjustments such as inflation or Working Capital Fund rate changes, budget exhibits need not be provided for each individual program or major activity.

(U)   For Defense Working Capital Fund business areas, the Components will submit summary level information that provides FY 2003 estimates and FY 2004 and FY 2005 updates for workload/sales, operating results, and any rate adjustments. We will provide a format for the summary level information later. For any proposed rate adjustments in FY 2005, the Components will submit a BCP that re-prices the FY 2005 program to fully fund the pricing adjustment.

Required Programming Data Requirement Updates

Programming Data requiring changes to reflect the FY 2004 PB Baseline	
Data Center	**Comments**
Forces	
Forces Detail	Native Data Source
Prepositioned Forces	Program only
Operational Support Airlift	Program only
CbT 3 Vulnerability Assessments	Program only
CbT 4 AT/FP Training Formal Specialized Courses Taught	Program only
CbT 5 AT/FP Training Formal Specialized Courses Attendance	Program only
Service & Defense Agency Response to Combatant Commander Integrated Priority List (IPL)	This would be an update to their POM 2004 responses to reflect PBD and PDM decisions. It would not be a response to the COCOM IPL that was just submitted.
Investment	
Major Investment Plans	Narrative only, data will be derived from P-1 and R-1
Test & Evaluation	Program only
Guard and Reserve Shortfall Priority List	Program only
Weapon System Modification	Program only
Information Operations	Program only
Readiness Enablers--Training Munitions & PODs	Program only
CBMR Munitions	Program only
Information Technology	To match FY 2004 budget submission (pilot program)
S&T Technology and Development Focused Areas	Program only
Manpower & Personnel	
PB 23 Acquisition Workforce	To match FY 2004 budget submission (pilot program)
PB30J Summary of Entitlements, Part I Active, Part II Guard and Reserve	To match FY 2004 budget submission (pilot program)
PB 42 Competitive & Strategic Sourcing	To match FY 2004 budget submission (pilot program)
Selected Officer Specialties	Program only
Housing Costs and Real Property Inventory	Program only
Infrastructure	
Medical	
Medical Detail	Native Data Source
Defense Agencies	
Workload	Program only
Cost and Funding	Program only
Recapitalization Requirements	
Facilities Recapitalization Plant Replacement Value	Program only
Base Operations Support	Program only

Attachment C

FY 2005-2009 PROGRAM AND BUDGET REVIEW TENTATIVE SCHEDULE

December 12, 2002   PDM signed

March 1, 2003   SNaP opened for PB2004 data updates

March 31, 2003   SNaP closed for PB2004 data updates

August 1, 2003   Program Change Proposals Due to DPA&E

August 15, 2003   PCP Dispositions issued

September 1, 2003   Detailed programmatic and budget information
                          submitted by Services for accepted PCPs

October 1, 2003   Budget Change Proposals due to USD(C)

November 1, 2003   Program Decision Memorandum Issued

November 21, 2003   "First Round" Program Budget Decisions Completed

November 24, 2003   OMB Passback

December 9-10, 2003   Major Budget Issues

December 12, 2003   Final FY 2005 Budget Decisions

December 19, 2003   FY 2005 Budget Lock